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U. S. Department of Agriculture

HOW WILL FARMERS USE THEIR 1942 INCOME?

With more cash in their pockets this year than in any previous year in all history, farmers are now confronted with the problem of how to spend wisely more money in place of the usual predicament of how to get along with less.

Cash farm income from all agricultural marketings this year plus government payments will total 15.6 billions, or 1 billion more than in the previous record year, 1919. The total will be nearly a third larger this year than last and 84 percent greater than the average for the five-year period from 1935 to 1939, inclusive (See Table 1).

Net cash income from farming this year to farm operators will exceed 7 billions, which is 56 percent more than was received last year and 147 percent greater than the average for the 1935-39 period.

Net cash income from all sources (farm and non-farm) to all people living on farms, including farm wage hands, will be about 11.2 billions, which is 41 percent above the 1941 figure and more than double the 1935-39 average.

Cash living expenses this year of all farm people are estimated at 6.4 billions or about one-sixth higher than last year, and 32 percent of this total will be paid out for food (See Table 4).

After deducting cash living expenses from net cash income, 4.8 billions are available this year for personal taxes (income, etc.), payments on real estate and other debts, purchase of additional real estate, real estate improvements and additions to equipment, life insurance premiums, gifts and contributions, purchase of war bonds, and other savings. How will farmers budget this 4.8 billions?

Last year they had available for similar purposes only 2.5 billions, which was more than four times what they had on the average from 1935 to 1939, but only a little more than half of what they will have this year. Here is the way they used this 2.5 billions last year:

	<u>Million dollars</u>
Personal taxes (income, etc.) - - - - -	20
Debt retirement -- real estate debts 1/ - - - - -	420
-- other debts - - - - -	650
Purchase of additional real estate 2/ - - - - -	125
Real estate improvements and additions to equipment 3/	600
Life insurance premiums 4/- - - - - -	210
Gifts and contributions 4/- - - - - -	275
Purchase of war bonds - - - - -	90
Unaccounted for - - - - -	110
Total	<u>2500</u>

The same items this year will probably absorb the following amounts:

Personal taxes (income, etc.) - - - - -	110
Debt retirement -- real estate debts 1/ - - - - -	540
-- other debts - - - - -	800
Purchase of additional real estate 2/ - - - - -	160
Real estate improvements and additions to equipment 3/	0
Life insurance premiums 4/- - - - - -	300
Gifts and contributions 4/- - - - - -	385
Purchase of war bonds - - - - -	675
Unaccounted for - - - - -	1830
Total	<u>4800</u>

Thus, on the basis of the best information available, farm people will have this year, 1.8 billions "unaccounted for". The size of this item suggests both a danger signal and an opportunity -- a signal of danger that such surplus funds may be used to bid up and inflate land values and

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- 1/ This item excludes payments on debts contracted in 1942. It does not indicate the net change in debt during the year.
 - 2/ Includes some transactions between farmers, estimated at 27 percent in 1942 and 21 percent in 1941.
 - 3/ This item excludes replacements, since they are included in production expenses (See Table 3).
 - 4/ Estimates of Bureau of Home Economics.

an opportunity for all public agencies to use their influence to encourage farmers not to fall into this trap but to expand greatly either (or both) their payments on debts or their purchases of war bonds. The growing shortages of civilian supplies make it impossible for them to raise their material level of living.

Distribution of Income

Nearly half of the farm families in the United States will receive less than \$1000 net cash income per family in 1942, but the families in this group will receive only one-seventh of the 11.2 billions of net cash income received by all farm families. Their expenditures for family living will account for only about one-quarter of the national total, but their incomes are so low that they will have little or nothing left after paying living costs.

On the other hand, one-eighth of all farm families will receive 41 percent of the net cash income and will account for less than one-fourth of the total expenditures for family living. This group will receive 64 percent of the 4.8 billions available for personal taxes, savings, debt retirement, etc. — and 71 percent of the "unaccounted for" item in this balance (See Table 5).

Regionally, farm income will be rather evenly distributed.

Non-Farm Income Up Too

Whereas the balance available to farm people in 1942 for personal taxes, gifts, savings, etc. will be about double the amount available in 1941, the same can be said for the non-farm population and for the nation as a whole (See Table 6). However, expenditures for family living by both farm and non-farm people will buy less goods and services than in 1941. Although the dollar outlay for family living in 1942 will be 16 percent greater for farm people and 3 percent higher for non-farm people than in 1941, the cost of the things farmers buy will be more than 17 percent greater and the urban cost of living will increase by more than 10 percent.

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Table 1. CASH INCOME OF FARMERS, UNITED STATES,
AVERAGE 1935-1939, ANNUAL 1941 AND 1942

Item				Changes	
	: 1935-39:	Estimated:	1942	:	1942
	Average: 1941	1942	over 1941:	over 1935-39	
	Billion	Billion	Billion		
	Dollars	Dollars	Dollars	Percent	Percent
<u>Cash Income from Farming:</u>					
Gross cash returns from farm operations 1/	: 8.5	: 11.8	: 15.6	: 32	: 84
Cash production expenses 2/	: 5.6	: 7.2	: 8.4	: 17	: 51
Net cash income to farm operators:	2.9	4.6	7.2	56	147
Cash wages received by laborers on farms 3/	: .5	: .6	: .8	: 28	: 70
Total cash income from farming :	3.4	5.2	8.0	52	135
<u>Cash Income from Non-Farm Sources:</u> 4/	2.1	2.8	3.2	18	55
Total cash available for living, etc.	: 5.5	: 8.0	: 11.2	: 41	: 105
<u>Cash Expenditures for Family Living</u> 5/	4.9	5.5	6.4	16	31
Balance available for personal taxes, savings, debt retirement, etc.:	.6	2.5	4.8	92	700

1/ Includes government payments - see Table 2.

2/ See Table 3 for individual items.

3/ Includes farm operators and farm laborers living on farms.

4/ The non-agricultural income of persons on farms includes: (1) Wages of farm operators from non-agricultural employment; (2) wages of farm people other than operators from non-agricultural employment; (3) income other than from labor of all farm people, including interest on bonds and non-farm mortgages, dividends, receipts from roomers and boarders, pensions, rents and royalties (non-farm), profits from non-farm businesses, etc.

Estimates for the first two of these items are based on census data for 1934 to 1939, and on an unpublished BAE study. In years for which no census data were available, BAE data on farm wage rates and employment, and BLS data on non-agricultural employment were used as a basis for the estimates. For the third item, estimates are based on another unpublished BAE study for the year 1934 and on the trend in non-agricultural net interest, rents and royalties, as estimated by the Department of Commerce in its National Income studies. All of these estimates should be considered only as rough approximations.

5/ Based upon BHE estimate of expenditures per family and OPA estimate of number of families. 1942 estimate assumes maintenance of 1941 level of living per family with allowances for increased expenditures in line with increased family income, shortages of some goods, for decrease in farm population and for changes in prices of consumption goods.

Table 2. CASH FARM INCOME, UNITED STATES,
AVERAGE 1935-39, ANNUAL 1941 AND 1942

Item	1935-39 average	1941	1942
	Million dollars	Million dollars	Million dollars
Wheat.....	452	702	825
Rice.....	33	53	90
Other food grains.....	13	15	20
Corn.....	240	351	470
Other feed grains and hay..	173	235	360
Cotton and cottonseed.....	755	1,107	1,350
Tobacco.....	274	325	430
Peanuts.....	36	61	125
Soybeans.....	33	113	225
Flaxseed.....	16	58	90
Fruits and nuts.....	460	607	800
Potatoes.....	162	152	300
Truck crops.....	359	513	650
Other crops.....	421	502	565
Total crops.....	3,427	4,794	6,300
Cattle and calves.....	1,173	1,727	2,200
Hogs.....	856	1,304	2,100
Sheep and lambs.....	166	280	260
Dairy products.....	1,409	1,897	2,275
Eggs.....	484	658	1,030
Poultry.....	327	447	620
Other livestock.....	130	187	215
Total livestock.....	4,546	6,450	8,700
Cash income from marketings:	7,973	11,244	15,000
Government payments.....	503	586	600
Total cash farm income:	8,476	11,830	15,600

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Table 3. CASH PRODUCTION EXPENSES OF FARM OPERATORS,
UNITED STATES, AVERAGE 1935-39, ANNUAL 1941-42

Item	1935-39 average	1941	1942
	Million dollars	Million dollars	Million dollars
Feed.....	679	1,126	1,435
Livestock purchases.....	298	546	675
Fertilizer and lime.....	217	287	330
Operation of motor vehicles.....	494	628	580
Miscellaneous operating expenses.....	486	964	1,150
Cash wages to hired labor:			
Living on farms.....	491	653	835
Not living on farms.....	232	308	385
Taxes.....	442	446	450
Mortgage interest.....	375	341	340
Rent paid to non-farm landlords.....	499	684	890
Maintenance of buildings.....	450	532	597
Replacement of motor vehicles (40 percent of auto).....	287	392	411
Replacement of machinery and equipment.....	260	328	357
Total.....	5,570	7,235	8,435

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Table 4. ITEMIZED CASH LIVING EXPENSES OF FARM FAMILIES, UNITED STATES
AVERAGE 1935-1939, ANNUAL 1941 AND 1942 1/

Item				Estimated 1942	Changes		
	1935-39:		1942		1942	1942	
	Average: 1941	1942			over 1941	over 1935-39	
			: Percent:				
	: Million:	: Million:	Million:	of			
	: Dollars:	: Dollars:	: Dollars:	Total	Percent	Percent	
Food.....	1,450	1,670	2,030	32	22	40	
Housing and household operation.....	610	720	910	14	26	49	
Clothing.....	850	900	1,120	17	24	32	
Automobile and other transportation.....	740	730	700	11	-4	-5	
Medical care.....	375	400	490	8	23	31	
Furniture and equipment.....	260	440	390	6	-11	50	
Personal care.....	135	135	170	3	26	26	
Recreation.....	175	175	210	3	20	20	
Tobacco.....	110	115	125	2	9	14	
Reading.....	55	45	65	1	44	18	
Formal education.....	80	55	75	1	36	-6	
Miscellaneous expenses.....	60	115	115	2	0	92	
Total....	4,900	5,500	6,400	100	16	31	

1/ These are estimates of actual expenditures, and are not derived by applying average prices to a normal budget.

Table 5. PERCENTAGE DISTRIBUTION OF THE NUMBER OF FARM FAMILIES
AND AGGREGATE INCOME AND OUTLAY ITEMS,
BY INCOME CLASSES, UNITED STATES, 1942

Income Class	Number of	Net	Expenditures	Balance	"Unaccounted
	farm	Cash	for Family	Available for	for" item in
	Families	Income	Living	Personal Taxes,	Balance 1/
				Savings, Etc...:	
	Percent	Percent	Percent	Percent	Percent
All Classes...	100	100	100	100	100
Under \$1,000....	48	14	26	0	0
\$1,000 to \$2,000..	26	23	27	17	10
\$2,000 to \$3,000..	14	22	23	19	19
\$3,000 and over..	12	41	24	64	71

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1/ See page 2 of the text.

Table 6. DISPOSITION OF NET CASH INCOME RECEIVED BY FARM POPULATION
AND NON-FARM POPULATION, UNITED STATES, 1941-42

Item	Farm	Non-farm	Total
	Billion Dollars	Billion Dollars	Billion Dollars
1941:			
Cash income received by consumers....	8.0	82.7	90.7
Expenditures for goods and services...	5.5	68.9	74.4
Balance available for personal taxes, gifts, savings, etc.....	2.5	13.8	16.3
1942:			
Cash income received by consumers....	11.2	100.1	111.3
Expenditures for goods and services...	6.4	71.3	77.7
Balance available for personal taxes, gifts, savings, etc.....	4.8	28.8	33.6
Percentage increase, 1941 to 1942:			
Cash income received by consumers....	40	21	23
Expenditures for goods and services...	16	3	4
Balance available for personal taxes, gifts, savings, etc.....	92	109	106

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